

# Memorandum

Date: July 29, 2009

To: Paul Clanon, Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102

From: Department of Water Resources

Subject: Notice of Change to Mountain View Power Partners, LLC, Contract

Consistent with Water Code Section 80110(c), the California Energy Resources Scheduling ("CERS") division of the Department of Water Resources ("CDWR"), with respect to its responsibilities pursuant to Water Code Section 80000, *et seq.*, regarding the Department of Water Resources Electric Power Fund, separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, transmits the attached contract change for concurrence by the California Public Utilities Commission ("Commission") Executive Director that the change is not material as defined in AB 3058. (See Water Code Section 80110(c)(5)(B).)

The change applies to the Amended and Restated Master Power Purchase and Sale Agreement (the "Master Agreement"), Amended and Restated Cover Sheet (the "Cover Sheet"), and the Master Power Purchase and Sale Agreement Amended and Restated Confirmation Letter (the "Confirmation Letter") between CDWR and Pacific Gas and Electric Trading – Power, L.P., dated October 1, 2002, and assigned to Mountain View Power Partners, LLC ("MVPP") on October 1, 2002. Collectively, the Master Agreement, Cover Sheet and Confirmation Letter shall be referred to herein as the "PPA." Attachment A to this memo is a copy of the First Amendment to the Amended and Restated Confirmation Letter (the "Amendment"). Capitalized terms used but not otherwise defined herein shall have the meaning given to them in the PPA.

CDWR and MVPP are changing the PPA to include the transfer of Green Attributes from MVPP to CDWR.

The Confirmation Letter currently states, in pertinent part, as follows:

"Special Conditions: All rights and interests in the renewable attributes, emissions reductions, or credits (offsets) relating to the Projects shall remain the Property of Party A."

(Confirmation Letter, p. 4.)

In other words, under the Confirmation Letter, renewable attributes belong to MVPP. The Amendment creates a renewable product by reattaching the Green Attributes to Energy delivered from the Mountain View I & II Wind Projects under the PPA, effective January 1, 2008 through the remainder of the term (September 30, 2011). This change allows Southern California Edison ("SCE") to receive credit for the reattached Green Attributes for Renewable Portfolio Standards purposes.

CDWR understands that SCE incurred costs in acquiring the Renewable Product and that SCE intends to submit an application to the Commission for a Replacement Agreement describing their actions.

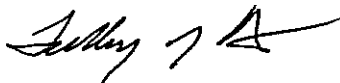
Water Code Section 80110(c)(5)(B) states:

"A change to a contract *is not material* if it is only administrative in nature or the change in ratepayer value results in ratepayer savings, not to exceed twenty-five million dollars (\$25,000,000) per year." This section provides that "the executive director of the commission shall concur in writing with each of those determinations by the department."  
(Emphasis added.)

CDWR has determined that, for purposes of Water Code Section 80110(c)(5)(B), this change is not material because it is administrative in nature. CDWR agrees to the change to allow SCE to receive credit for the Green Attributes and set the stage for the Replacement Agreement between SCE and MVPP.

CDWR hereby requests your written concurrence that the attached Amendment A is not material for purposes of Water Code Section 80110(c)(5)(B).

If you have any questions or need any additional information, please contact me at (916) 574-2733.



Timothy J. Haines  
Deputy Director

Attachment(s)